

M e m o r a n d u m

To: Panel Members Date: September 22, 2006

From: Diana Torres, Manager Analyst: C. Robinson

Subject: One-Step Agreement for **VETERINARY PET INSURANCE COMPANY**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Locating Into Or Expansion Within California
Moving To A High Performance Workplace
- Type of Industry: Finance and Insurance
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 336
 - *In California:* 336
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$472,500
- Substantial Contribution: -0-
- Total ETP Funding: \$472,500
- Total In-kind Contribution: \$1,057,810
 - *Trainee Wages Paid During Training:* \$557,810
 - *Other Contributions:* \$500,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange

INTRODUCTION:

Veterinary Pet Insurance Company (VPI), is a California licensed insurance company providing accident and health insurance policies for dogs, cats, birds, and other exotic pets nationwide. The company also operates a service for its policyholders that includes pet identification and a registry for lost animals.

VPI currently employs 336 full time workers in Brea, California, the site of the proposed training. In accordance with Title 22 California Code of Regulations Section (CCR) 4416(d)(3,4), VPI qualifies for standard ETP funding as a company facing out-of-state competition for the integrated underwriting, administration, and related services provided on behalf of its customers located both within and outside of California. Additionally, inside sales, customer care, and group enrollment function groups are also eligible for standard ETP funding under Title 22 CCR, Section 4416(h), for integrated call center based services provided to customers located both within and outside of California. Company expansion plans include hiring additional employees over the next 12 to 18 months. Of these employees, 21 will be included in the total requested for training (350).

MEETING ETP GOALS AND OBJECTIVES:

VPI proposes training that will further the following ETP goals and objectives:

- 1) Enhance the skills of its frontline workers to prepare them for employment in a high performance workplace.
- 2) Foster job retention in industries that face strong out-of-state competition.
- 3) Support the State's economic growth by funding projects for companies expanding within the state that provide high-wage employment.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	Menu: Business Skills Computer Skills Continuous Improvement Management Skills	350	35 - 125	-0-	\$1,350	*\$12.90- \$74.51
<u>Occupation</u> Managers/Supervisors Information Technology Staff Human Resources Staff Finance/Accounting Staff Sales Staff Administration/Operations Staff Marketing Staff Underwriting Staff Claims Staff Customer Service Staff						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health Benefits of at least \$1.90 per hour may be applied to the base wage in order to meet the ETP minimum hourly wage of \$12.90 for Orange County.				<u>Turnover Rate</u> 17%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 11%	
<u>Other Employee Benefits:</u> In addition to health, dental and vision, VPI offers paid vacation, life insurance, and Disability Insurance.						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

Of the 350 retrainees, 311 (89 percent) meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee). The remaining 39 retrainees are managers or supervisors who constitute 11 percent of the total training population. There are no trainees who set company policy included in the proposed training plan.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve the Agreement based on VPI's need to expand training efforts across all departments to remain competitive, meet changing customer needs, expand business, and establish a high performance workplace with improved company operating procedures.

NARRATIVE:

Founded in 1980, VPI is a licensed insurance company dedicated to selling pet insurance plans in the United States. Company representatives state that, although pets live longer and healthier lives based on advancements in veterinary technologies/procedures, the cost of ongoing pet health care has increased as treatment practices evolve.

Currently, less than one percent of all pets nationwide are protected by a health and accident insurance policy. Because the potential for industry growth within the United States is enormous, VPI faces intense competition from both existing and emerging companies located outside of California. These companies aggressively market their pet insurance products using new technology and customer service techniques to lure business away from VPI. As a result, VPI determined it must now make changes to its product lines and operating practices to maintain its market dominance.

To compete more assertively, VPI is introducing a new pet insurance product in the fall of 2006. This plan will pay higher claim amounts, reduce claims processing time, and be more cost effective to administer. The release of this new product will require a complete overhaul of current sales, service, technology, and administrative processes that impact all employee job functions. To address the company's need to keep its existing customers and expand business opportunities, the company will also be using alternative strategies including further training and development of marketing, sales, and customer service staff to increase their ability to initiate/maintain long term customer relationships with the veterinary community.

Company representatives also state that complex internal processes result in pet policies that are often difficult to understand and use within the current system. To provide higher levels of service to customers, VPI must implement new, more streamlined processes/procedures/technology to support the administration and servicing of both current and new

NARRATIVE: (continued)

products. This will require department/operational reconfiguration and process improvement at all levels of the company within a new team based environment. Upon completion of the ETP training, VPI employees will work in new project teams that will be responsible for managing customer claims using a shared pool of data. This will lead to improved output, fewer mistakes, less rework, and improved internal/external customer relationships.

The company must also become a high performance workplace to help achieve its goals of greater operational efficiency, higher level of customer service, expansion, and improved reimbursement to policy holders when claims are initiated. The company is requesting the Employment Training Panel's assistance to train 350 employees in the following types of training:

Business Skills

All employees included in this training plan will receive Business Skills training to actively participate in streamlining each department's business operations. Communication and Advanced Telephone Skills training will facilitate improved communication with both internal and external customers to provide a higher degree of customer satisfaction in person, on the telephone, through databases, and in writing. Conflict Resolution training will enable all employees to better manage and negotiate issues with both customers and fellow employees while working together as team members to improve the delivery of customer service.

New Product Training will help marketing and sales staff be more competitive by understanding all aspects of new products in relation to other similar products sold by VPI's competitors. Customer support staff will also become more knowledgeable and responsive to customers by better understanding new company products. Advanced Sales Skills training will enable sales staff to match products to customer needs. Advanced Customer Service Skills training will provide the skills needed for those employees who interact directly with customers to consistently provide higher levels of service including faster and more accurate claims processing. Project Management skills training will be received by a select group of trainees responsible for developing and implementing action plans. This training will allow them to lead project teams through VPI's quality improvement changes.

Computer Skills

Computer skills training will be delivered to managers/supervisors, administrative, sales, claims, operations, and customer care staff to effectively operate the company's recently upgraded Management and Production Information Systems (Renaissance). This special proprietary information system drives the company's internal data structure. Training in new upgrades to Renaissance will allow company employees to provide faster, more reliable data, and information to those who need it in a "just in time" framework.

Continuous Improvement Skills

Managers/supervisors, claims, and customer care staff will participate in Teambuilding Development/Building training to foster development of high performance teamwork

NARRATIVE: (continued)

cross-functionally which will result in much faster processing of customer claims. All trainees included in this training plan will receive Quality/Process Improvement training that will include assessment methodologies to streamline work process for increased productivity, cost savings, and claims efficiency. Problem Solving/Decision Making skills will allow all participating trainees to make key decisions at all levels of the organization, acquire skills to influence team members, and encourage creative thinking for improved decisions/actions. Time Management/Organizational skills training will provide the tools for all occupations, either individually or in teams, to recognize and prioritize critical tasks needed to increase daily performance on the most productive and customer focused tasks. Leadership Skills will enable managers/supervisors and team leaders to analyze the company's performance capability and put in place plans to improve and build upon the company's current capabilities.

Management Skills (Managers/Supervisors Only)

Managers/Supervisors will receive training in Motivating/Coaching employees and Leading and Managing Change to help reduce stress while leading/supporting and preparing subordinates through VPI's major organizational and systems changes over the next two years.

Commitment to Training

VPI representatives state that ETP funding under this Agreement will not displace any of its resources for training. VPI's annual training budget of \$150,000 is used for new-hire orientation, basic supervisory training, mandatory Human Resources related training, the cost of a dedicated training room, salaries for one fulltime and one part-time trainer, and limited formal classroom training in very basic customer service skills. The full time trainer oversees administration activities relating to coordinating trainer's fees and scheduling sessions in company values and behavior based culture training such as a recently delivered "Best in Show" class. The cost for these sessions is also paid from the annual training budget. The part-time trainer conducts VPI's limited two-week customer service skills classes for newly hired customer service representatives. Although some basic product knowledge and company operations training is also included in these classes, the budget only allows for delivery of basic information to representatives so that they can perform limited related job functions.

Company representatives state that the proposed training plan will not displace training currently provided using VPI's current budget. Instead, it will allow the company to build upon the basic training skills it currently delivers and assist VPI to reach its stated goals. Training will also provide formal training to managers/supervisors to motivate and work with staff to ensure customer satisfaction and assist employees with the company's transition to a high performance workplace.

Following ETP training, VPI will continue with efforts to increase performance by conducting its current budget training with updates and enhancements as needed. The total projected training expenditure for the two years following ETP training is approximately \$400,000.

SUBCONTRACTORS:

Ocean Consulting Group, Murrieta, California - \$150,000 for Class/lab training in Business, Computer, Continuous Improvement, and Management Skills.

Alterant Strategies Group, Claremont, California - \$150,000 for Class/lab training in Business, Computer, Continuous Improvement, and Management Skills.

New Horizons Learning Center, Anaheim, California - \$23,500 for Class/lab training in Management Skills.

THIRD PARTY SERVICES:

Ocean Consulting Group assisted with the ETP Application and helped prepare the training plan for a flat fee of \$15,000.

Veterinary Pet Insurance Company

MENU CURRICULUM

Hours
Class/Lab
35 -125 hours

Trainees will be provided any of the following types of training:

A. Business Skills

- Communication Skills
- Conflict Resolution
- Advanced Telephone Skills
- New Product Training
- Advanced Sales Skills
- Advanced Customer Service Skills
- Project Management

B. Computer Skills

- Management/Production Information Systems (Renaissance)

C. Continuous Improvement

- Team Development/Building
- Quality/ Process Improvement
- Problem Solving/Decision Making
- Time Management/Organizational Skills
- Leadership Skills

D. Management Skills (Managers/Supervisors Only)

- Motivating/Coaching Employees
- Leading & Managing Change

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
